GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:1989
ANSWERED ON:09.03.2001
ECONOMIC COST OF WHEAT AND RICE
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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the economic cost of wheat and rice in the Food Corporation of India has been increasing during the last few years;

(b) if so, the reasons therefor, alongwith the percentage of increase in this cost during 1998-99 and 1999-2000;

(c) the extent of increase in this percentage during the current year 2000-2001; and

(d) the fresh measures taken by the Government to check the increase in the said economic cost during the current year?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI CHAUHAN)

(a),(b) & (c) : The required information is given in the statement annexed.

(d) Although the Administrative Staff College of India, Hyderabad has been entrusted to study the cost of acquisition and distribution of foodgrains by the Food Corporation of India,so as to arrive at ways and means for reducing the economic cost, the following important steps have, inter-alia, been taken/are being taken by the Food Corporation of India to reduce/contain the economic cost:-

(i) achieving average capacity utilisation of 75% to reduce storage cost even though the procurement of grains is seasonal;

(ii) adhering to the procurement and movement ratio norm of 1:1.35 as fixed by the Government of India to reduce the expenditure on freight;

(iii) making continuous efforts to reduce shortages in handling of foodgrains;

(iv) making efforts to reduce the incurrence of railway demurrage charges;

(v) releasing excess stocks in the open market to reduce the buffer stock;

(vi) controlling the administrative cost by reducing staff strength and other administrative expenses.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PARTS (a),(b) & (c) OF UNSTARRED QUESTION NO. 1989 FOR ANSWER IN THE LOK SABHA ON 09-03-2001.

The estimated economic cost of FCI for wheat and rice during the years 1998-99 to 2000-2001 is as follows:-

(Rs./Per Qtl.)

WHEAT	1998-99	1999-2000	2000-2001(BE)
A. Pooled Cost	507.12	510.07	565.31
B. Overhead Cost			

(i) Procurement incidentals 126.95 190.87 138.30+
& carryover charges to State
Agencies.

(ii) Distribution Cost++ 163.09 171.38 126.03

C. Economic Cost 797.16 872.32 829.64
D. %age of increase over the year 12.86 9.43 (-)4.89

RICE

A. Pooled Cost 787.70 861.16 907.39

B. Overhead Cost

(i) Procurement incidentals 65.50 173.47 77.09

(ii) Distribution Cost++ 172.69 88.11 152.57

C. Economic Cost 1026.67 1110.94 1148.07

D. %age of increase over the year 9.30 8.21 3.34

The acquisition costs have increased mainly due to increase in the pooled cost of grains as a result of increases in the Minimum Support Price/naked cost of grains, as also ad-valorem increases in statutory charges and switch over to 50 kg. gunny packings. The distribution costs have increased on account of increase in freight and handling costs, consequent upon pay revision , progressive departmentalisation of labour.

NOTE:

+ In view of recommendations of the Expenditure Reforms Commission (E.R.C.) carryover charges are to be included in buffer carrying cost from 2000-01 instead of acquisition cost.

++ From 2000-01 distribution cost has gone down due to allocation of freight and transit loss to buffer cost as per revised allocation principles suggested by E.R.C.